A R G U M E N T

DOMINION TEXTILE COMPNAY,LTD.

and

R E B U T T A L

of

J. C. McRUER,K.C.

COMPETITION - (GENERAL)

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
	17601		Unhealthy competition is bad for the consuming public
	17636		Heward says that elimination of excessive or unhealthy competition is not detrimental to the consumer
	17636		Commissioner cites Adelaide Steamship case before Privy Council where it is pointed out that there are cases where excessive competition will end in a blow-up
	17637		Heward says over-competition very often raises prices instead of lowering them
	17638		Heward says it is possible that if four old companies merged in 1905 had carried on independently until some of them were bankrupt the excessive competition which existed would have been eliminated or lessened, but with disastrous results to the companies, the shareholders, and to the employees and that an enhancement in price would have followed. Heward submits that the elimination of excessive competition in an orderly and constructive manner was better for all concerned
	17646		It was the unhealthy competition that was forcing these old companies into bankruptcy so that they had to sell at sub-cost prices
	17646		Heward submits that competition is not detrimental to the consumer unless it results in improper increases in prices which the latter pays and that there is no evidence to show that there was such an increase in prices after the merger or that prices were improperly high after the merger
	17969		Heward says a very slight increase in the cost of producing cotton goods in Canada -

occasioned by higher wages and shorter hours of labour in dvance of technological changes would only result in Canadian mills losing more of the domestic market to exporters

18056 Despite a shorter working week the worker of today is earning 65% more per week and has 32½% more purchasing power than in 1920 and this increase has taken place without it being necessary to increase cost of production of goods produced

71	17925		Heward says delegation to Ottawa undoubtedly made known to Ministers their apprehensions arising out of the Japanese agreement
	17925		Heward says Mr. Dunning felt the textile industry was unduly alarmed about Japanese competition
	17928	18952	Particular cause for alarm was expectation of goods coming in
	17929		One purchaser cancelled order and returned goods on account of Japanese quotations
74	17930		At meeting with Ministers of January 14th no definite reassurance or definite hopes of any remedy were held out to the delegation
74	17932		Marx told Broad Silk Group that curtailments of the mills would be a safeguard for them until they were able to prove to Government the risks of these importations from Japan
79	17939 17944		Heward says that letter may not have been explicit enough about stock situation or order situation; but he does not think it was intended as a demonstration to the Government or to intimidate the Government
	17946		By not running off looms Gordon put himself in a position where he could carry on if fears of Japanese competition proved groundless, but if his fears were not groundless, he would have to stop anyway
	17953	18952	Rayon taffetas of the type quoted on by Fisher & Co. were not produced at Sherbrooke but were produced by Montreal Cottons
	17953	18953	Production of these two lines of taffetas had been stopped by Montreal Cottons in October 1935 but not on account of Japanese competition

17962	77,000,000 square yards of cotton goods imported into United States in 1936, came from Japan. In 1935 Japan supplied 36,000,000 square yards of total imports of 63,600,000 square yards
17962	Imports of cotton goods into Canada from Japan were very small in 1936, but 73,000,000 yards were imported from Great Britain

COMPETITION (JAPANESE)

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	SUBJECT
64	17898	18968	Value of Japanese yen
66	17903 17906	18971	A.B. Fisher & Co. and Mitsui Company quotations (Ev. p.2064)
67	17905	18971 18988	Rayon goods formerly invoiced at Japanese yen prices representing about 80¢ per lb. are now quoted at about 25¢ per lb.(Ex.142)
68	17906	18947	Imports of artificial silk and mixture fabrics from Japan in first 10 months of 1936 amounted to 291,085 pounds as against 38,689 pounds for same period in 1935
68	17906	18952	Heward thinks Gordon's fears of increasing competition were well founded
	17907	18947	Heward does not think 291,000 pounds is a large amount for 10 months compared with the production
	17907	18947 18971	Japanese have absorbed Philippine Islands market and also Australia
	17909	18946 18974	Heward thinks there is an increasing threat of Japanese competition
	17910		HT-58 not a corresponding fabric to the Japanese 27" plain rayon taffeta
	17915		Heward says Mr. Gordon had New York quotations on Japanese goods before January 15th but did not have any quotations from Brown Silk Co. until first part of February (Ev. p. 2062)
	17917		Gordon obtained Japanese prices in New York and worked out what the prices would be in Japan
70	17924	18952	Gordon was alarmed by inquiries which had been received from the trade in Winnipeg and Quebec as to what was going to be done through the Japanese situation

FABRICS PRODUCED AND SPECIFICATIONS

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
	17633		Sherbrooke plant in 1928 manufactured tire fabrics, ducks and yarns
	17953	18952	Rayon taffetas of the type quoted on by Fisher & Co. were not produced at Sherbrooke but were produced b y Montreal Cottons
	17953	18953	Production of these two lines of taffetas had been stopped by Montreal Cottons in October 1935, but not on account of Japanese Competition

FINANCIAL and OPERATING

CAPITAL STRUCTURE

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	SUBJECT
11	17530		Issue of 45,000 Common shares in 1928. Total number of Common shares outstanding 270,000
11	17531		Value of outstanding bonds $4,457,000
12	17551		Amounts invested by bondholders were not included in capital investment, but only amounts invested by preferred and common shareholders
	17833		Capital of Dominion Textile turns over slowly (Ex. 1230, p.2)
	17833		Capital of Company in 1936 $27,820,437.25 Sales of the Company in 1936 $18,269,296.11
	17833		Capital and sales of Company in 1935
	17865		Heward submits it is not proper to write up assets for temporary fluctuations in value, but that it is quite proper to write up into the Company's books changes in value resulting from a permanent trend in property values
	17865		Write-up was not made before the issue of stock but was made before re-organisation in 1923
	17865		Split of shares three for one following reorganization in 1923 was just a splitting of stock that was in the hands of the shareholders and not a new issue
	17866		New capital taken in in 1922
	17866		Purpose of issue of new stock in 1922 was to obtain working capital to reduce bank loans
	17867		Inducement to shareholdrs to subscribe was that stock was offered at part at a time when existing shares of the Company were selling above par

17875	18849	Heward says McRuer's calculation at pages 180 and 182 of his brief showing position of Dominion Textile would have been in had it paid its bond interest, preferred and common stock dividends of 20% per annum on original $500,000 should be ignored; first, because it is fallacious that all the Company received for original issue of common stock was $500,000; secondly, because it includes among the earnings of the Company the so-called secret inventory reserve; and thirdly, it is based on supposition that there was over-depreciation and betterments charged to profits amounting to $16,011,356,89
17875		Heward submits that even if premises on which the computation is based were not fallacious, the computation would in no way support Mr. McRuer's contention that protective tariffs should be reduced
17991		Share capital of Company in 1934 was held by 2811 shareholders; average number of shares per shareholder was 103 and 92.8% of all shares were held by shareholders resident in Canada. 76.3% of the outstanding stock is held by shareholders who individually own less than 2% of the total issue

FINANCIAL and OPERATING

Earnings and Profits & Loss

Page in Brief	Heward's Argument	McRuer's Rebuttal	S U B J E C T
4	17432	14287	Bearing of return on investment upon question of tariff protection
4	17436	14292	Ratio of earnings to invested capital
7	17454		Improved earnings in first two years after merger were made before good management made its effects fully felt
9	17486		Earnings and dividend records of old companies had been unsatisfactory
10	17512		Statement prepared by Glassco showing invested capital and earnings thereon from 1905 to 1936 (Ex. 1232)
11	17533		Ratio of earnings to invested capital, 1906 to 1936
11	17533	18905	Earnings or profits showin in Ex. 1232 do not include secret reserves, but figures have been adjested for fluctuations in the reserves
	17540 17804	18905	Company's profits in 1933 $725,589 instead of loss of $614,683.36 as shown in page 2 of Ex. 1232; Loss being due to transfer of $1,000,000 to Investment Reserve
12	17542 17804		Explanation as to how loss of $614,000 arrived at
12	17543		Transfer of million dollars to Investment Reserve changes the average ratio of earnings to invested capital by less than one-half of 1% when spread over 30 years
12	17544		Gordon says Company's investments have appreciated by about half the amount of the million dollars which was transferred
	17545	18852	Average ratio of earnings to invested capital throughout 31 year period amounted to only 9.12%
	17546		Company operated at about double capacity during war years

	17546		Average ratio of earnings to invested capital during 31 years (less abnormal war and depression years) was 8.28%
	17547		Averge earnings 1927 - 1931 9.61% " " 1932 - 1936 4.84% " " 1927 - 1936 7.23% (Ex.1232)
	17551		Figures of earnings include all earnings whether distributed or not (Ex. 1232, p.3)
	17555		Average ratio of earnings to invested capital 1906-1936 was 8.05%. For same period (Excluding 1916-1920) the average earnings were 7.56% (Ex. 1356) For ten year period from 1927-1936 6.95%
13	17564	[illegible]	Value of assets behind the investment must be considered, i.e. real present day value lying behind securities in hands of investors
18	17606		Earnings should be commensurate with risk entailed in competitive industry. There should be stability in tariff protection.
18	17607	13992	Manufacturing industry should receive a higher return than a public utility on account of greater risks it runs
19	17608	13995	Earnings at present, in immediate past and near future must be considered in relation to value of investment at time of investigation
19	17615	13995	Earnings put back in the business should be included in value of investment
19	17615		Even if excessive earnings had been ploughed back into value of the property, these earnings should not be excluded in determining value of the investment
	17617	13995	Earnings in excess of a reasonable return left in the business are capital invested by the consumer
	17621		Heward says a fair and reasonable return to industry must be sufficient to permit part of that return being left in the business

17623 Average annual return on capital invested in Dominion Textile Co. has been less than 10%

17624 Heward says that Mr. McRuer's theory that it is improper for industrialists who have received special privileges from the Government to make large profits at expense of consumers is unsound

17625 Mr. McRuer says that if an industry asks for something from Government, then the Government has something to say about quantum of privileges that they give them. If industry asks no special privileges it is entitled to any profit it can make

17626 Heward says returns should be reasonable aside from Government interference or anything

17627 Commissioner says if any industry is protected it would be a misuse of its protection if it unduly enhanced the price of its product.

17629 Protected industry if receiving a smaller return than industry generally would not be so attractive for investment of new capital

17630 Mr. McRuer says these earnings are more than a reasonable return under the tariff protection they have. Heward submits his figures are reasonable, and that it is the value lying behind the investment that counts - not how much stock is outstanding.

17631 If an industry under protection granted earns more than a fair return, additional capital would be attracted and competition thereby intensified

17632 Virtually no investment in new plants in Canada in past 10 years, which indicates that the earnings during these years have not been such as to attract capital

17633 Heward says Mr. McRuer's statement is without foundation that the greatest part of earnings has been provided by consumers

17635 Heward thinks Government would object if part of earnings was not put back into a protedted industry

	17636		Heward says natural increase in value of assets is quite legitimate and represents the value on which they are entitled to have a return
20	17640		Average rate of return in last ten years was 4.75% or considerably less than the interest rates on bonds outstanding during that period
20	17640		Heward does not think this return would be raised much by reason of 1935 adjustments- about one third of 1%
	17644		Average ratio of earnings to net value of assets since 1920 has been 5.24%, and in last ten years 4.91% (Ex. 1356, p.3)
	17645		Average ratio of earnings since 1920 on value of investment as represented by bank indebtedness, bonds and preferred and common stock, was 5.22% and in last 10 years, 4.81% (Ex. 1357, p. 5)
	17646	18976 18860 18862 14516	Heward says return on investment taken on investment and cost and on value of investment has been most reasonable, and that these earnings indicate that existing tariff protection is not sufficient to ensure a reasonable return
	17647		Heward does not think they should have to suggest what a reasonable return would be but quotes one authority (the Privy Council) as saying that 15 % is not unreasonable
21	17648		In considering return on invested capital regard must be had to whether the industry has been properly managed. Heward says Dominion Textile has been prudently and economically managed, as evidenced by small amount which administration expenses constitute of the sales dollar, 1.04 cents for 10-year period (Ev. p. 12846 & 12859 (f); Ex. 1230)
22	17649		In view of good management, Heward thinks they are justified in looking at returns on investment in relation to question of tariff protection as a guide to it. (Ex. 1232)

22	17650& 17659		Exorbitant profits shown by Commission Counsel should be disregarded, first, because the premises are false, secondly, because propositions are based on erroneous principles, and thirdly, inferences and conclusions drawn are themselves erroneous. (Ev. p. 13747)
24	17663		Heward says it is immaterial what any particular group of shareholders paid for their shares the point being what did the Company earn on its investment at cost.
24	17665		Heward contends it is the earnings of the Company as a whole which must be considered and not the earnings of the original common stockholders
24	17666		If it is attempted to use alleged earnings on common stock, or on a portion thereof, or alleged profits made by common stockholders, companies engaged in the industry would have to be classified according to various types of capital structure and a separate tariff devised for each one - Heward says this is fallacious
25	17667		In calculating the amount of capital invested, it is necessary to include all earnings or profits which have been left in the business by shareholders instead of being distributed
	17668		Mr. McRue r says he is only prepared to admit that the reasonable profit left in the business ought to be considered as capital on which the investor is entitled to a return in the study of the sufficiency of the tariff
	17668		Mr. McRuer contends that the share of the profit that was left in the business was in excess of a reasonable profit
25	17671	18919	Heward says if there was an extra profit of $17,000, 00 resulting from over-depreciation, if it has not been paid out it should be added to capital (Ev. p. 12810)
	17671		Mr. McRuer says the profits should be added from year to year to the earnings

26	17671	18919	Heward says that instead of deducting $12,000,000 it should have been left in and $5,000,000 added if statement on page 7 of Ex. 917 is correct.
	17734 17754		Heward says that if $15,179,238 is over-depreciation it should not have been charged to profits
	17770		Heward criticises first item of write-off, $5,067,065.37 which is referable to profits and loss account directly. He says this should be $1,161,716.58
	17804		Loss of $614,683.36 on investments shown in 1933 is justifiable because investments held by Company are part of its liquid assets and if liquid assets have been impaired it is proper to transfer funds from Surplus account to cover it. Apart from this loss, there was a shortage of $10,471.22 for common shareholders.
	17813		Heward says this does not make any difference in the profits over a term of years
	17815		Heward submits that if the amounts described as inventory reserves by Commission Auditor were to be included it would have no material effect on the percentage of earnings as shown in Ex. 1232, because if they are included in the Company's profit the additional equity represented by the balance of the reserve at the end of each year must be added to the invested capital. Such adjustments would amount to considerably less than one-half of 1% in the figures shown by Glassco
	17818		Heward explains how he arrives at return on actual operating investment
	17824		Average ratio of net profits to invested capital, 1927 to 1936, on a cost basis, was only 7.8%
	17824 & 17890	18942	On cost basis the difference between the Company's book values of the old companies and Howson's figures is $2,100,000.
	17825		Ratio of net profits to invested capital 1923 and 1928 to 1936

17825		Heward says that if it had not been for outside investments of the Company, the earnings of the Company would have been extremely small
17827		Profit made in raw cotton purchases
17828		Heward submits if it had not been for revenues from outside investments it would have been necessary to make further reductions in wages and earlier and possibly more drastic reductions in dividends to shareholders
17829 17834		Heward says that attempts to show that the company had any hidden earnings as a result of over-depreciation and charges to governments have failed and that profits shown are in relation to Company's invested capital have been remarkably low and inadequate in view of the risks involved
17833		Heward says return on sales dollar must be considered in relation to capital invested and where capital is turned over quickly a reasonable return on a sales dollar would be lower than where the capital is turned over more slowly
17875	18849	Heward says McRuer's calculation at pages 180 and 182 of his brief showing position Dominion Textile would have been in, had it paid its bond interest, preferred and common stock dividens of 20% per annum on original $500,000 whould be ignored; first, because it is fallacious that all the Company received for original issue of common stock was $500,000; secondly, because it includes among the earnings of the Company the so-called secret inventory reserve; and thirdly, it is based on supposition that there was over-depreciation and betterments charged to profit amounting to $16,011,356.89
17876		Heward will not say that Company has earned 20% in the past or that they want to do it in the future
17878		Heward submits that because there is something left for the shareholders it does not follow that the consumer has been improperly called upon to pay expenses or to pay the amount distributed to shareholders

17878	Facts show this Company is well managed and that profits have been kept at very low level
17887	Since 1930, management of Montreal Cottons by Dominion Textile has improved the position of Montreal Cottons. Loss of $304,388,52 in 1930 but profit of $350,512.30 in 1935
17889	Comparison between group of American and Canadian companies and Dominion Textile Co. as to return on total investment in operation after eliminating goodwill and the return on capital stock equity after eliminating goodwill
17978	Line 'C' in Chart CO-1 indicates that 1919, 1921 and 1927 were the more profitable years in the Company's history since 1916, while the poorer years were 1924, 1930, 1933 and 1935
17979	Profitable years cannot be judged altogether from charts because it only shows manufacturing angle and would not take into account a big rise in value of raw cotton
17980	Gordon says really profitable years were 1918, 1919 and to some extent 1920
17981	1919 was most profitable year between 1916 and 1937 and 1921 came next
17984	After charging full depreciation in 1934 for the first time since 1930 the manufacturing profit per pound was very moderate, but combined with a high production it resulted in the best indicated profit since 1928
17985	Unit profit is so low that it requires a great deal of volume to make a profit
18031	Schedule showing difference between income and fixed expenditures and the resulting amount of money or pool which was available between 1927 and 1936 to reward capital and wages (Ex. 1363)
1 18036	Schedule shows point beyond which Company could not go in remunerating labour and capital without using up part of its accumulated capital

18036 In 1927 pool was over $7,250,000
In 1935 it was only about $4,500,000

18036 In 1931, 1932 and 1933, only about half the normal depreciation was written off. If full amount had been written off, pool would have been smaller in each of those years by $635,000

18037 Second schedule shows how pool was divided between labour and capital (Ex. 1363)

18037 Third schedule shows respective investment of labour and capital for ten year period and the return of each in relation to 1927

18038 Schedule 2 shows that labour got 65% of the pool while capital received 35%

18038 After 1930 as pool became smaller so did labour's share in absolute amount, but not in proportion to capital's share due to labour's investment of man hours being less in 1931, 1932 and 1933

18039 Capital in 1935 and 1936 with an investment considerably greater than before 1929 is obtaining much less from pool than it obtained before 1930

18040 Schedule 3 shows that by 1933, for every 100 man hours worked in 1927 there were only 70 man hours worked in 1933, whereas for every $100 earned in 1927 there was still $83 being earned in 1933

18040 Capital includes all the amount available for preferred and common dividend, or for surplus, but bond interest is calculated in the fixed charges

18041 For every $100 invested in the business in 1927 there was $108 invested in 1933, but for every $100 which capital got out of the pool in 1927 it got only $26 in 1933. In 1936 labour got $99 and capital $47

33 18059 Ballantyne submits that during the period of business depression marked by declining earnings, some downward adjustment of wage costs was essential

33 18059 E.B./15064

		E.B.	
38 40	18059 18075	15084	Rewards of other agents of production including capital and management, were not unreasonable or disporportionate on the basis of economic principles
53	18117		Profit from operations for year ended March 31, 1933, was $357,215,78, leaving a net profit from operations of $70,370.78 after deducting interest and premium on bonds redeemed
	18117 18041		On account of diminishment of pool in 1931 1932 and 1933, it was necessary to draw upon surplus of the Company aside from the $1,000,000 which was teken to cover investments
	18041		Ballantyne submits that these statements show, first, the limits within which a company must operate when it rewards labour and capital; second the manner in which the policies of the Company have operated in the division which was made between the funds available each year as between capital and labour; and third, during these ten years the share of labour in the pool has been increased relatively to capital

FINANCIAL and OPERATING

DIVIDENDS

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
	17617	18840	Original investors of Dominion Textile Co. have received 98.4% on the money invested
	17619		Heward does not think amount members of Syndicate earned on transaction has any bearing on this inquiry
	17659 & 17661	18840	Heward submits it is unjustifiable for Commission to take the cash contributions made in 1905, ignoring their other contributions, and figure out the percentage of dividends these shareholders would have received had they retained their investment
	17804		Loss of $614,683.36 on investments shown in 1935 is justifiable because investments held by Company are part of its liquid assets and if liquid assets have been impaired it is proper to transfer funds from Surplus Account to cover it. Apart fromthis loss, there was a shortage of $10,471.22 for common shareholders
29	17829		Earnings of Investors in relation to Sales (Ex. 1230)
29	17831		Distribution of sales dollar, 1927 to 1936 and percentage available for dividends (Ex. 1230)
	17833		Only 3.87 cents on each sales dollar was available for preferred and common stock in 1936 and 1935
	17887		Interest of Dominion Textile is to get Montreal Cottons into a position where it can pay dividends on Dominion Textiles holdings of 16,000 shares
	18078	18845	Total dividends paid in 30-year period amounted to about $24,000,000
53	18116		Percentage of net earnings from manufacturing and trading available for dividends expressed in a percentage of total sales, 1930 to 1936 (Ex. 517)

FINANCIAL and OPERATING

DEPRECIATION

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	SUBJECT
20	17639	18903	Total invested capital at cost $9,887,379.75 i.e. after depreciation (Ex. 1232, p.3)
23	17652		Heward says it is not true that the Company had written off the value of the tangible assets and that the write-off referred to by Mr. Howson was the reduction applicable to goodwill account and not a reduction in value of the Company's assets. The reduction was in the intangibles
	17653	18942	Heward says $2,200,000 charged to operations and reserves for depreciation or obsolescent plant did not reach this figure until 1914, and that these charges were not excessive
	17653 17658		Write-offs for buildings and machinery between 1905 and 1914 was approximately 2.45% per annum which Heward says is a very low figure
	17657		Any write-off for closing of mills would be included in $2,200,000
23	17658	18903	Heward says substantial part of the write-off in 1912 and 1913 included in $2,200,000 consisted in writing-off amounts applicable to goodwill
25	17671	18919	Heward says if there was an extra profit of $17,000,000 resulting from over-depreciation if it has not been paid out it should be added to capital (Ex. p. 12810)
26	17671		Heward says that instead of deducting $12,000,000 it should have been left in and $5,000,000 added if statement on page 7 of Ex. 917 is correct
26	17676		Heward says Commission Counsel admitted that value of physical assets is at least as high as shown on Company's books and that insurance appraisal of 1936 shows it to be higher, but that there has been excessive depreciation and improper charges of betterments to operations

	17678		Heward says it is not justifiable to take an insurance appraisal as the real value of the Company's assets
	17679		Insurance appraisal is intended to show insurable or burnable value of the property, & is based on replacement costs less depreciation
	17688 & 17698	18906	Heward says there is nothing to show that the surplus value shown by such an appraisal as compared with net book value on a cost basis are the results of over-depreciation or charges of betterments to repairs
26	17689 17692 17693 17694		Heward submits that Glassco in his evidence stated he considered charged of betterments to repairs as being equivalent to depreciation (Ev. p. 13765 and 13789)
	17690 17691		Heward defines the term 'betterment' In 1906, Company charged to operations nearly $200,000 for betterments and repairs Heward says the Company did not depreciate at that time and that was its method of providing depreciation to write-off betterment to repairs, Company did not start writing-off depreciation until 1918
	17691		Practice of Company up to 1918 was to make charges to operations and reserves for depreciation or obsolescent plant and also for betterment
	17693		Company has not charged any betterments to repairs unless it has shown them as such as depreciation at anytime. Since 1918 certain fixed amounts have been written off for depreciation without any reference to particular betterment or repair previous to that time
26	17694		Company never wrote-off for depreciation more than was permitted by Income Tax authorities. 1.8% written off on cost of buildings and about 6% on machinery (Evid. p. 13,766, 13840)
	17694		Heward says there has been no proof that betterments have been charged to repairs except where they were charged in lieu of depreciation (Ev. p. 12851)

	17695		Mr. Howson objects to statement that his representative could not find anything that should have been charged to capital account that was not so charged
27	17699	18919	Heward submits that computations on page 7 of Exhibit 917 does not establish that this extra value ($17,265,728.17) when compared with depreciated cost, was due to excessive depreciation or to improper charges of betterments to operations (Ev. p. 12859A)
	17712	18930	Heward says appraisal values in 1936 were the same as in 1920 and that values of a year ago were substantially above their costs
	17712		Heward submits this proves his contention that Company has not over-depreciated
	17734 17754		Heward says that if $15,179,238 is over-depreciation it should not have been charged to profits
	17750		Heward submits that information obtained from Textile World, Loper and Sirrine & Co., indicates that there has been no over-depreciation
	17750		Difference of $4,000,000 between present book value and 1936 insurance appraisal might be accounted for by the extra values quoted by these three informants
	17751	18935	Heward says it is a fundamental function of depreciation charges to rateably extinguish the cost of fixed assets over their useful life, and therefore, depreciation charges must be based on cost
	17752 18937 18943	18943	Depreciation based on cost and not the written up value
	17760 17758	18939	Heward maintains that depreciation amounts to only $2,696,005 or .845% per annum from 1920 to 1936 on average value of buildings plant and machinery of $19,953,040.50
	17760		Heward says the whole difference between himself and Commission Counsel is that it

is not proved that Company has charged any betterments to repairs, improperly charged any repairs to operations and that better-
17760 ments were charged to repairs only in the early period before Company had any depreciation and they were charged in lieu of depreciation

17761 When depreciation was set up, instead of charges for betterments and repairs disappearing they increased

17767 Heward contends that books of Company show they wrote-off only $4,035,874.56 prior to 1920 against plant and machinery which cost the Company $13,425,933.76

17768 18938 Heward says Commission figure of $13,624,302.52 should be $13,425,933.76 or a difference of $180,576.21 as regard the original cost and by $621,055.03 as regard cost of additions or a total of $801,631.24 on the cost of plant and machinery

17770 Heward criticises first item of write-off, $3,067,065.53, which is referable to profits & loss account directly. He says this should be $1,161,716.58

17773 Heward says item of depreciation account $3,033,237.60 is correct but that $563,479.86, reserves taken over from old company, is inaccurate and should be nil

17773 Glassco says they are in substantial agreement on the figures except as regards repairs and betterments

17774 Heward submits that only ground on which it can be established that $17,256,728.17 is secret profits is by considering the replacement value new, in 1936, of all the Company's fixed assets as being exactly equal to the original cost; in which case the Company should have provided depreciation from 1905 to 1936 only in the amount necessary to reduce the cost of $28,849,648.57 to the depreciated value, as per 1936 appraisal, namely $22,183,633; a total of $6,666,015.57 in 31 years, or an average of $215,032 per annum

17776 Rates of depreciation allowed by Income Tax Department

17782		Gordon says they did not want more than the 6% depreciation allowed by Income Tax Dept.
17794& 17796		Heward admits that supplies would be included in original cost of plant if they were starting up a new mill. No depreciation is charged on these things
17795		Heward says equipment or supplies have not been put in the plant and then written down by depreciation
17796	18943	Equipment or supplies must be charged to either operations or capital. If charged to capital, they must be written off in their useful life.
17796		Heward says Income Tax Department will not let anyone depreciate anything that is not capitalized on their books. Dominion Textile depreciation checks out exactly with Income Tax Department
17797		Amounts charged to operations for depreciation repairs betterments and equipment from 1906 to 1936 amount to $38,065,816.39
17798 & 17803		Average annual charge to operations for depreciation, repairs, betterments and equipment, 1906 to 1936 is 7.8% of the average annual cost value of the assets
17799		Heward says criticism that amounts charged for depreciation appear to be regulated by amount of profits earned by the Company rather than any policy of determining the amount required for depreciation, is hardly well founded
17800		Practice of Income Tax Department is to assume, in cases of taxpayers who have had no taxable profits, that only 50% of the normal depreciation has accrued. Heward says this has nothing to do with price but has to do with volume of operations
17802		Heward submits that depreciation rates are properly set on a basis which will extinguish the cost of the fixed assets over their useful life if they are properly cared for, and that if they keep their plant well repaired they should not have to depreciate them

17803		If maintenance is neglected the life is shortened
17821		Heward says that on page 13 of Ex. 917 Howson has shown very high percentages of profit in manufacturing operations and deducts from common share equity the $12,000,000 which represents part of the value of the investment. Heward states that if Howson is right in his statement that the Company had over-depreciated by $7,000,000 this figure should be $5,000,000 higher
17823		Heward objects to the deduction of $12,000,000 and says it should be carried into profit as it is part of the value of the investment
17826		Depreciation taken in 1931 to 1936
18086		In 1931, 1932 and 1933 only about half the normal depreciation was written-off. If full amount had been written off pool would have been smaller in each of those years by $635,000
18116		Amount written off for depreciation in 1931, 1932 and 1933 was $635,572.00 as compared with between $1,000,000 and $1,600,000 in the other years of 10-year period
17755	18919	Heward agrees with Commission Counsel's figure of $17,875,243 charged to depreciation

FINANCIAL and [illegible]

BANK LOANS

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
	17557		Doubtful whether bank loans should be included in permanent investment
	17557	18784	Bank loans are usually made only to finance business at inventory peak, and are not part of invested capital (Ex. 1357)
	17559		Company's borrowings from banks are usually in form of overdrafts or cotton acceptances (Ex. 1357)
	17560		Bank loans down by nearly $3,000,000 in 1936 as compared with 1906
	17561		Bank loans in 1922 $[illegible]15,000 as against $1,900,000 in 1921
	17561		Average ratio of net profits to invested capital on a cost basis, i.e. including bank loans funded debt and common shares: 1906 - 1936 7.7% 1906 - 1936 (excluding 1916-1920) 7.32% 1927 - 1936 6.8% 1927 - 1931 8.61% 1932 - 1936 4.92%
	17675		Heward says value of investments is the value of net assets of the Company lying behind the investment bonds, preferred and common stock but not bank loans

FINANCIAL and ORGANIZATION

AMALGAMATIONS and MERGERS

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	SUBJECT
5	17438		Syndicate agreement
5	17444		Extract from minutes of shareholders meeting Jan. 27, 1905 held for purpose of allotting shares and approving offer of Syndicate (Ex. 512)
6	17447	18902 18846	Statement as to securities issued upon acquisition of constituent companies (ex. 1232)-Tangible and Intangible assets
7	17454		Value of intangible assets
7	17454		Improved earnings in first two years after merger were made before good management made its effects fully felt
8	17455		Summary of Syndicate transaction (Ex.331)
8	17457		Letter from Royal Trust Co. to Colonial Bleaching and Printing Co. dated Dec. 29 1904 submitting offer of purchase on behalf of Syndicate (Ex. 331)
8	17471		Transfer of stock and bonds from Syndicate to Company is one indivisible contract and cannot be split up
8	17472	18824 18826	Heward says acquisition from shareholders of shares of old companies at less than real value proves shares were worth more than was paid for them
9	17473		Potential value of shares of old companies depended on success of new enterprise
9	17474		Old shares should be valued at least at value of tangible assets
9	17475		Serious position of old companies due to bad management
9	17477		Value of old companies enhanced after amalgamation due to good management, etc. and also the putting up of one million dollars to rectify liquid asset position

9	17477	Shareholders of old companies had to take less than net value of physical assets on account of difficult financial position they were in
9	17481	Members of Syndicate who were also shareholders and directors of old companies
9	17482	No interlocking between directorates of old companies
9	17483	Heward says that second last paragraph of Royal Trust Co. receipt (Ex. 350) does not indicate that the shares were to be voted to put through the merger
9	17485	Reasons why syndicate was able to acquire from shareholders of the old companies the shares at less than their real value (Ex. 328, p. 4 and 5)
9	17486	Earnings and difidend records of old companies had been unsatisfactory
	17492	Directors meeting, January 29, 1902 - Proposal received for acquisition of Merchants Cotton Co. (Ev. p .5748)
	17498	Directors Meeting Dec. 11, 1903 Memorandum re sale of net assets of Merchants Cotton Co. to Dominion Cotton Mills - Proposal to take over Colonial Bleaching and Printing Co. - Neither proposal accepted by Dominion Cotton Mills (Ev. p. 5761 and 5762)
	17501	Directors Meeting, December 14,1904 Directors returned offer which had been sent by Royal Trust Company to be transmitted to shareholders (Ev. p. 5764A)
10	17502	Shareholders of four old companies were willing to part with their shares to Syndicate at a sacrifice. Old companies were in demoralized state, but properties had great potential values
10	17503	Value of new Company was well worth the securities which they issued for them to the Syndicate

10	17505		Syndicate took risks in investing new capital in old companies. When merger was consummated in 1905 prior liabilities amounted to $1,367,161.38
10	17506		Liabilities of old companies at time of merger
	17508		What Syndicate paid for shares of old companies immaterial for purposes of inquiry; what is material is value of the assets which lay behind the shares Dominion Textile Company has received
	17515		Combined assets of old companies acquired a greater value to Syndicate than what Syndicate had paid for them separately
	17516		Assets of old companies were purchased at their actual cash value, not on their book value
	17519		Old Companies were in distress because they had run themselves shor of working cash due to condition of the industry, competition with each other and poor management (Mr. McKuer does not agree)
	17520		Each one of old companies was entitled to receive best price they could get for their assets
	17521 17524		Heward contends that 'value' means replacement value
	17632		Issue of new shares by Dominion Textile Co. in 1928 was for purpose of acquiring the Sherbrooke and Drummondville plants
22	17650	18825 18835	Heward submits that Company received very much more than $500,000 in cash for its original issue of $5,000,000 common stock. It received tangible assets of a replacement value of $2,094,000 and intangibles of considerable value (Ex. 917)
23	17659 17661		Heward submits it is unjustifiable for Commission to take the cash contributions made in 1905, ignoring their other contributions and figure out the percentage of dividends these shareholders would have received had they retained thier investment

23	17659	18824 18838	Heward challenges statement that all company received for its original common stock issue was $300,000
23	17660		Members of Syndicate risked half a million dollars in backing their judgment with $13,000,000 worth of liabilities ahead of them
	17662	18883	Distressed shareholder of old Company got all he was entitled to
24	17663		Heward says it is immaterial what any particular group of shareholders paid for their shares, the point being what did the Company earn on its investment at cost
	17787		$2,375,000 paid for Mount Royal Plant in 1921
	17838		Heward says it is possible that if four old companies merged in 1905 had carried on independently until some of them were bankrupt the excessive competition which existed would have been eliminated or lessened, but with disastrous results to the companies the shareholders and employees and that an enhancement in price would have followed. Heward submits that the elimination of excessive competition in an orderly and constructive manner was better for all concerned
	17846		It was the unhealthy competition that was forcing these old companies into bankruptcy so that they had to sell at sub-cost prices
	17846		Heward submits that competition is not detrimental to the consumer unless it results in improper increases in prices which the latter pays and that there is no evidence to show that there was such an increase in prices after the merger or that prices were improperly high after the merger

	17847		No evidence that prices went either up or down after the merger
	17875	18849	Heward says McRuer's calculation at pages 180 and 182 of his brief showing what position Dominion Textile would have been in had it paid its bond interest, preferred and common stock, dividens, of 20% per annum on original $500,000, should be ignored; first, because it is fallacious that all the Company received for original issue of common stock was $500,000; secondly, because it includes among the earnings of the Company the so-called secret inventory reserve; and thirdly it is based on supposition that there was over-depreciation and betterments charged to profits amounting to $16,011,356.89
	17885		Heward says there is no evidence that Dominion Textile is gradually acquiring shares of Montreal Cottons in order to get complete ownership as cheaply as possible and in that way pay as little dividends and buy from it at as low a price as possible
	17885		Dominion Textile had acquired voting control of Montreal Cottons by end of 1930
	17885		Explanation by Heward as to manner in which shares of Montreal Cottons have been acquired by Dominion Textile Co.
	17887		Interest of Dominion Textile is to get Montreal Cottons into a position where it can pay dividends on Dominion Textile holdings of 16,000 shares
	17888		Heward says amalgamations and mergers does not necessarily mean that there are now less people employed, because plants have been enlarged and extended. History of Company shows there has been a general trend of increase in number of its employees
37	18067		Sherbrooke and Drummondville companies taken over by Dominion Textile in 1930

FINANCIAL and OPERATING

BETTERMENTS and REPAIRS

PAGE IN BRIEF	HEWARD'S ARGUMENT	McGUIRE'S ARGUMENT	SUBJECT
	17656		Heward says betterments should not be charged to operations
	17688 17698	12906	Heward says there is nothing to show that surplus value shown by such an appraisal as compared with net book value on a cost basis are the results of over-depreciation or charges of betterments to repairs
26	17689 17692 17693 17694		Heward submits that Glassco in his evidence stated he considered charges of betterments to reapirs as being equivalent to depreciation (Ev. p. 12763 & 127[illegible])
	17690 17691		Heward defines the term 'betterment'. In 1906 company charged to operations nearly $20[illegible],000 for betterments and repairs Heward says the Company did not depreciate at that time and that was its method of p providing depreciation to write-off betterment to repairs. Company did not start writing off depreciation until 1918
	17691		Practice of Company up to 1918 was to make charges to operations and reserves for depreciation or obsolescent plant and also for betterment
	17693		Company has not charged any betterments to repairs unless it has shown them as such as depreciation at any time. Since 1918 certain fixed amounts have been written off for depreciation without any reference to particular betterment or repair previous to that time
	17694		Heward says there has been no proof that betterments have been charged to repairs except where they were charged in lieu of depreciation (Ev. p. 12851)
	17695		Mr. Howson objects to statement that his representative could not find anything that should have been charged to capital account that was not so charged
	17699		

17699 18919 Heward submits that computations on page 7 of Ex. 917 does not establish that this extra value ($17,265,728.17) when compared with depreciated cost was due to excessive depreciation or to improper charges of betterments to operations (Ev. p. 12859A)

17756
17758 Heward says there is no suggestion that in period 1920 to 1936 any betterments have been improperly charged

17760
17763 Heward maintains that depreciation amounts to only $2,696,005 or .845% per annum from 1920 to 1936 on average value of buildings, plant and machinery of $19,953,040.50

17760 Heward says the whole difference between himself and Commission Counsel is that it is not proved that Company has charged any betterments to repairs, improperly charged any repairs to operations and that betterments were charged to repairs only in the early period before Company had any depreciation and they were charged in lieu of depreciation

17761 When depreciation was set up, instead of charges for betterments and repairs disappearing they increased

17764 Heward says if Company had been improperly charging capital direct to repairs, Income Tax authorities who had carefully examined the books would have notied it and made careful inquiries if they had seen any unreasonable charges to operations

17773 18790 Classco says they are in substantial agreement on the figures except as regards repairs and betterments

17785
17786
17790 Large amounts charged to operations for repairs during war years was due to excessive wear and tear

17786 Heward says that the large amount charged to operations for repairs in 1921 was not in the nature of replacing their plant out of war profits

17786		18943 18944	Charges to operations for equipment were not kept separate in all the mills until 1927; previous to that time it was included in repairs account
	17796		Howard says Income Tax Department will not let anyone depreciate anything that is not capitalized on their books. Dominion Textile Co. depreciation checks out exactly with Income Tax Department
	17797		Amounts charged to operations for depreciation, repairs, betterments and equipment from 1906 to 1936 amount to $38,065,816.39
	17798 17803		Average annual charge to operations for depreciation, repairs, betterments and equipment, 1906 to 1936 is 7.8% of the average annual cost value of the assets
	17875	18849	Howard says McRuer's calculation at pages 180 and 182 of his brief showing position Dominion Textile would have been in had it paid its bond interest, preferred and common stock dividends of 20% per annum on original $500,000 should be ignored; first, because it is fallacious that all the Company received for original issue of common stock was $500,000; secondly, because it includes among the earnings of the Company the so-called secret inventory reserve; and thirdly it is based on supposition that there was over-depreciation and betterments charged to profits amounting to $16,011,356.89

FINANCIAL and OPERATING

COSTS

PAGE IN PRINT	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
	17808		Heward explains how cost or market value is arrived at
	17809		Goods must be taken into inventory at a figure at which they could be readily sold inthe condition in which they are at the time they are taken in
	17810		Heward says their inventory values are in some cases below cost or market value
	17851		Heward says statement of Commission Counsel that very few of the companies keep such records as will enable them to state accurately what their cost of production is for any particular fabric does not apply to Dominion Textile Co. (Evid.p. 1794, 1802, 1828, 1830 and 1841)
	17852		Loper cost system installed by Dominion Textile in 1921; Montreal Cottons in 1930
	17853		Heward says it is impossible to actually measure cost of production for any one fabric or type of yarn in a mill
	17854		Extracts of "25 Years of Accounting Experience" by Geo. Oliver May
	17856		Cost system used by Dominion Textile brings to bear onmachinery the cost that should be allocated to the machinery and then the production through these machines bears its share of that cost
	17857		Explanation of how standard cost system works
	17858		"Audit Theory and Practice" by Robt. H. Montgomery
	17860		Heward says form 14-A does not call for a reconciliation between standard cost and operating cost sheets

	17862		Howard says there is a discrepancy of 14.6% in power and fuel between their standard cost system and general books of account, and a discrepancy of 57% in mill general expenses
	17862		Standard costs are based on standard operation and when costs are applied against short time operations smaller figures are obtained than appear in the profit and loss account
	17863		Production of 132% of the standard at Magog up to March 1, 1936, was due to the fact that they were operating about 32% above standard
	17983	18977	Line 'H' on Chart CG - 2 represents the average cost pr unit of production to the consumer (customer)
	17998	18977	Cost of goods to the consumer if there were no duties or only very low duties on imported goods
	17999 18001		If 50% of business being obtained under protective tariff was lost, manufacturing costs and selling prices would be higher than under existing conditions
	18077		Ballantyne thinks that 10% for administration and selling would not have been extravagant. Amount saved, therefore, amounts to nearly $35,500,000 and is entirely due to good management
47	18102		Relationship of wages to (a) Cost of production , and (b) Total salaries and wages
47	18102		Mill wages form second largest item of production cost
47	18102		Exhibit 1230 (distribution of sales dollar 1927-1936) shows importance of mill wages as an element of the sales dollar

	17788	Verdun plant purchased from Government and new machinery put in in 1920
38	18070	Fessenden quotes an American Textile expert's opinion as to Canadian manufacturers producing at lower cost by means of up to date equipment
	18071	Ballantyne says the efficiency of the Company as shown by the evidence has been pretty well recognized
48	18077 18103	Selling and administration costs in first 30 years of Company's existence amounted to $10,500,000 during which time the Company sold $460,000,000 worth of goods. Ratio of cost for selling and administration was 2.3%

FINANCIAL and OPERATING

DOMINION COTTON MILLS

PAGE IN BRIEF	HOWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
10	17487		Dominion Cotton Mills Co. - Report to shareholders April 9, 1897 (Ev.p.5732)
	17487		Report to shareholders, 1898 - Company became its own selling agents. (Ev. p. 5735)
	17488		Minutes of Directors meeting, Dec. 27, 1899. Heavy expenditures for increasing and remodelling mills. $1,000,000 borrowed from banks (Ev. p. 5740)
	17489		Minutes of Directors meeting, June 26, 1900 - $1,000,000 Preference stock issued to retire loan (Ev. p. 5743)
	17490		Annual Meeting, 1901 - Only $163,800 of $1,000,000 Preference stock issue subscribed for. (Ev. p.5745 and 5746)
	17491		Directors Meeting Oct. 31, 1901 - Payment of quarterly dividends not made
	17492		Directors Meeting, January 29, 1902 Proposal received for acquisition of Merchants Cotton Co. (Ev. p. 5748)
	17495		Annual Meeting April 7, 1902 - Disastrous year due to purchases of cotton at high prices. New management appointed. Selling given to outside firm (Ev. p. 5751)
	17496		Annual meeting, April 27, 1903 - Satisfactory year under new General Manager, but no common dividends paid (Ev. o. 5754)
	17497		Director's meeting, September 1903 - Meeting of cotton mill representatives called by Mr. Clouston in endeavour to learning about better relationship between companies (Ev. p. 5755)
	17498		Directors Meeting, December 11, 1903-Memorandum re sale of net assets of "Merchants Cotton Co." to "Dominion Cotton

Mills - Proposal to take over Colonial Bleaching and Printing Co. Neither proposal accepted by Dominion Cotton Mills (Ev. p. 5761 and 5762)

17800 Annual Meeting, April 1904 - Reduction in floating liabilities by nearly $800,000. No dividend paid (Ev. p. 5764)

17801 Directors meeting, December 14, 1904 Directors returned offer which had been sent by Royal Trust Company to be transmitted to shareholders (Ev. p. 5764A)

FINANCIAL AND OPERATING

EQUIPMENT and SUPPLIES

PAGE IN BRIEF	HOWARD'S ARGUMENT	MORGAN'S REBUTTAL	S U B J E C T
	17790		Charges for equipment are not charges for machinery or permanent installations; they are for consumable equipment which are in the nature of supplies, such as bobbins, spools, shuttles, etc.
	17789	18943 18944	Charges to operations for equipment were not kept separate in all the mills until 1927; previous to that time it was included in repairs account
	17794 17796		Howard admits that supplies would be included in original cost of plant if they are starting up a new mill. No depreciation is charged on the things
	17795		Howard says equipment or supplies have not been put in the plant and then written down by depreciation
	17796		Equipment or supplies must be charged to either operations or capital. If charged to capital they must be written off in their useful life
	17797		Amounts charged to operations for depreciation, repairs, betterments and equipment from 1906 to 1936 amount to $38,065,816.39
	17798 17803	18942	Average annual charge to operations for depreciation, repairs, betterments and equipment, 1906 to 1936, is 7.8% of the average annual cost value of the assets

FINANCIAL and OPERATING

INCOME TAX

PAGE IN REPLY	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
	17694		Company never wrote-off for depreciation more than was permitted by Income Tax Department. 1.8% written off on cost of buildings and about 6% on machinery (Ev. p. 13766, 13840)
	17764		Heward says if Company had been improperly charging capital direct to repairs, Income Tax officials who had carefully examined the books, would have notied it and made careful inquiries if they had seen any unreasonable charges to operations
	17776		Rates of depreciation allowed by Income Tax Department
	17782		Gordon says they did not want more than the 6% depreciation allowed by Income Tax Department
	17800		Practice of Income Tax Department is to assume in cases of taxpayers who have had no taxable profits, that only 50% of the normal depreciation has accrued. Heward says this has nothing to dowith price but has to do with volume of operations
	17806		Only $6000 paid in Income Tax in 1935
	17806		Income Tax on operating revenue was included in selling price
	17808		Income Tax Department accepted the Company's basis of inventory valuation for years and it was fully explained to them in 1934
	17878		Income Tax is a tax which is imposed on the Company not on the shareholders
	17880		In England the tax which the income shareholder has to pay is deducted and there is no separate tax on the Company's income
	17880		Heward says all their monies come from the consumer; and all taxes form part of the selling price of the goods

17880 Company paid $819,541 in taxes to various governments all of which came from the consumers

17881
17882 Howard says if Company had not had to pay these taxes it might have been able to reduce selling price

17882 Both consumers and shareholders suffered on account of these taxes

17882 If tax is added to sales price of goods Company tries to get it out of the goods

13945 Howard objects to statement made in Toronto Star that Dominion Textile Co. falsified its income tax returns

FINANCIAL and OPERATING

INSURANCE APPRAISALS - VALUATIONS

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
13	17566	15992	Bluefield Water Works & Improvement Co. vs Public Service Commission of the State of West Virginia
14	17574		State of Missouri ex. rel. Southwestern Bell Telephone Co. vs Public Service Commission of Missouri
15	17575		McCardle et al vs Indianapolis Water Co.
16	17578		City of Toronto and Toronto Ry. Co.
16	17579 17585		Canada Southern Ry. Co. and International Bridge Co.
17	17585		Ex. p. Moncton T.E. & G. Co. Ltd.
17	17586		Western Tolls, 19 Canadian Railway cases
19	17610		Value of what it would cost for additional plant for proper expansion is an important element, assuming that it is the desired policy of the country to protect the industry
19	17615		Earnings put back in the business should be included in value of investment
19	17615		Even if excessive earnings had been ploughed back into value of the property these earnings should not be excluded in determining value of the investment
	17631		Heward does not admit that he should take into consideration how the value of the investment was built up under a customs tariff
	17636		Heward says natural increase in value of assets is quite legitimate and represents today's replacement value, this being the value on which they are entitled to have a return
	17637		Heward does not agree with decline in value since 1920

20	17579	18903	Total invested capital at cost $9,887,379.75 i.e. after depreciation (Ex. 1232, p.3)
20	17640		Heward does not think this return would be raised much by reason of 1933 adjustments, about one third of 1%
	17 644		Average ratio of earnings to net value of assets has been 5.24% and in last 10 years, 4.91% (Ex. 1356 p.3)
	17645		Average ratio of earnings since 1920 on value of investment as represented by bank indebtedness, bonds, preferred and common stock, was 5.22% and in last 10 years 4.81% (Ex. 1357 p. 5)
	17646		Heward says return on investment taken on investment and cost and on value of investment has been most reasonable, and that these earnings indicate that existing tariff protection is not sufficient to ensure a reasonable return
22	17650	18825 18903 14294	Heward submits that Company received very much more than $500,000 in cash for its original issue of $5,000,000 common stock. It received tangible assets of a replacement value of $2,094,000 and intangibles of considerable value (Ex. 917)
23	17652	18906	Heward says it is not true that the Company had written off the value of the tangible assets and that the write-off referred to by Mr. Howson was the reduction applicable to goodwill account and not a reduction in value of the Company's assets. The reduction was in the intangibles.
	17653	18942	Heward says $2,200,000 charged to operations and reserves for depreciation or obsolescent plant did not reach this figure until 1914 and that these charges were not excessive
	17653 & 17656		Write-offs for buildings and machinery between 1903 and 1914 was approximately 2.45% per annum which Heward says is a very low figure

	17657		Any write-off for closing of mills would be included in $2,200,000
23	17658	18903	Heward says substantial part of the write-offs in 1912 and 1913 included in $2,200,000 consisted in writing off amounts applicable to goodwill
	17664		Heward says that if they bought a plant in 1905 for $10,000,000 and the value of a new plant of a similar kind in 1936 was $5,000,000, they could not ask for a return on the original value of the plant
	17675		Heward says value of investment is the value of net assets of the Company lying behind the investment bonds, preferred and common stock but not bank loans
26	17676	18920	Heward says Commission Counsel admitted that value of physical assets is at least as high as shown on Company's books and that insurance appraisal of 1936 shows it to be higher but that there has been excessive depreciation and improper charges of betterments to operations
	17678		Heward says it is not justifiable to take an insurance appraisal as the real value of the Company's assets
	17679		Insurance appraisal is intended to show insurable or burnable value of the property and is based on replacement costs less depreciation
	17684		In booklet called 'Insurance Valuations by the Factory Mutuals' it is stated "losses must be paid on the basis of actual cash value at time of loss"
	17685		Heward says 1936 appraisal is not as exact as the 1920 appraisal
	17686		Appraisal was made for the purpose of getting maximum insurable value
	17687	18926	Purpose of appraisal was to give the

	17687	18926	Company as exact a valuation as possible of the Company's assets at that time (1920). Gross values now were put at $30,000,000 and depreciated replacement values at $22,900,000
	17687		Present book values are in excess of 1920 appraisal
	17688		Present depreciated book value is $18,178,276.11 (Ex. 1232 p. 4)
	17688 17698	18906	Heward says there is nothing to show that the surplus value shown by such an appraisal as compared with net book value on a cost basis are the results of over-depreciation or charges of betterments to reapirs
26	17689 17692 17693 17694		Heward submits that Glassco in his evidence stated he considered charges of betterments to repairs as being equivalent to depreciation (Ev. p. 13765 and 13789)
27	17696 17698 17701		Mr. McRuer challenges statement that market value of lands, buildings and machinery has greatly increased since 1906 (Ex. p. 13761)
27	17699	18919	Heward submits that computations on page 7 of Ex. 917 does not establish that this extra value ($17,265,728.17) when compared with depreciated cost, was due to excessive depreciation or to improper charges of betterments to operations (Ev. p. 12859A)
	17700		Heward contends that there is an increased value between 1906 and 1936 and therefore no secret reserve of $17,265,728.17
	17711		Heward says natural values of the machinery in 1920 according to their books are still there and are not hiding profits by reason of depreciation
	17712	18930	Heward says appraisal values in 1936 were the same as in 1920 and that values of a year ago were substantially above their costs

17712		Heward submits this proves his contention that Company has not over-depreciated
17727	18920 18927	Heward disagrees with appraisal figures which appear on page 177 of Mr. McRuer's brief,
17728	18921	1920 appraisal
17735	18926	Heward submits that cost of building and machinery assets up to 1920 amounted to $15,517,440 and appraised replacement value new as shown by 1920 appraisal amounted to $30,352,457 so that increase in values was just under 100%
17745		Heward says Company's cost values to 1930 can reasonably be taken on a pre-war basis because during the war it was very difficult to obtain new machinery
17748		Heward says value in 1934 of $37,241,856 is still greater than the costs of the assets of the Company by $21,724,416.
17748	18924	Heward submits that appraisal of 1920 only increased pre-war values by slightly under 100%, therefore, if in 1934 the values were greater than pre-war values by 137.5% the values shown by the 1920 appraisal and even greater values were still there in 1934
17749		Dominion Textile Co. did not write into its books the full increase in value as shown by the 1920 appraisal
17750		Heward submits that information obtained from Textile Work, Lower and Sirrine & Co. indicates that there has been no over-depreciation
17750		Difference of $4,000,000 between present book value and 1936 insurance appraisal might be accounted for by the extra values quoted by these three informants

	17774		Heward submits that only ground on which it can be established that $17,256,728.17 is secret profits is by considering the replacement value new, in 1936, of all the Company's fixed assets as being exactly equal to the original cost; in which case, the Company should have provided depreciation from 1905 to 1936 only in the amount necessary to reduce the cost of $28,849,648.57 to the depreciated value as per 1936 appraisal, namely $22,183,000; a total of $6,666,648.57 in 31 years or an average of $215,032 per annum
	17775		Machinery represents about 75% of the value of the fixed assets
	17775		Heward says that values in plant are not the result of hidden profits but of natural increase in values of machinery and buildings
10	17525	18904 18924	1920 Appraisal (Ev. p. 7454) (Ex.1232 p.4)

FINANCIAL and OPERATING

INVESTMENT

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
4	17436		Ratio of earnings to invested capital (a) History of Company's capital structure (Ex. 512)
10	17512		Statement prepared by Classen showing invested capital and earnings thereon from 1905 to 1936 (Ex. 1352)
	17515		Combined assets of old companies acquired a greater value to Syndicate than what Syndicate had paid for them separately
	17516		Assets of old companies were purchased at their actual cash value, not on their book value
12	17544		Gordon says Company's investments have appreciated by about half the amount of the million dollars which was transferred from Surplus Account
12	17551		Amounts invested by bondholders were not included in capital investment but only amounts invested by preferred and common stockholders
12	17552		Interest on bonds should be included in capital investment
	17553		Proper scientific method is to take whole of permanent investment whether invested by a bondholder, preferred or common stockholder and tr at that as the i vestment (Ex. 1356)
	17556		Doubtful whether bank loans should be included in permanent investment
	17557	18784	Bank loans are usually made only to finance business at inventory peak, and are not part of invested capital (Ex. 1357)
13	17564		Value of assets behind the investment must be considered; i.e. real present day value lying behind securities in hands of investors

17617 Earnings in excess of a reasonable return left in the business are capital invested by the consumer

17621 Heward says a fair and reasonable return to industry must be sufficient to permit part of that return being left in the business

17631 If an industry under protection granted earns more than a fair return, additional capital would be attracted and competition thereby intensified

17632 Virtually no investment in new plants in Canada in past 10 years, which indicates that the earnings during these years have not been such as to attract capital

25 17667 In calculating the amount of capital invested, it is necessary to include all earnings or profits which have been left in the business by shareholders instead of being distributed

17668 Mr. McRuer says he is only prepared to admit that the reasonable profit left in the business ought to be considered as capital on which the investor is entitled to a return in the study of the sufficiency of the tariff

17804 Loss of $614,683.36 on investments shown in 1933 is justifiable because investments held by Company are part of its liquid assets and if liquid assets have been impaired it is proper to transfer funds from Surplus Account to cover it Apart from this loss, there was a shortage of $10,471.22 for common shareholders

17822 Heward says Howson did not include Sherbrooke and Drummondville plants in $26,000,000

17823 Heward objects to the deduction of $12,000,000 as it is part of the value of the investment

17826 $1,000,000 which was taken out of surplus account to cover loss on investment is included in this $2,000,000

17875 18850 Heward says McRuer's calculation at pages 180 and 182 of his brief showing position Dominion Textile would have been in had it paid its bond interest, preferred and common stock dividends of 20% per annum on original $500,000 should be ignored; first, because it is fallacious that all the Company received for original issue of common stock was $500,000; secondly because it includes among the earnings of the Company the so-called secret inventory reserve; and thirdly it is based on supposition that there was over-depreciation and betterments charged to profits amounting to $16,011,356.89

FINANCIAL and OPERATING

RESERVES

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	SUBJECT
11	17533		Earnings or profits shown in Ex. 1232 do not include secret reserves, but figures have b been adjusted for fluctuations in the reserves
11	17534		Heward does not admit that so-called Inventory reserve is an Inventory Reserve, but it does take in fluctuations in raw cotton reserves shown on the books investment reserve, bad debt reserve, contigent reserve, pension fund and general reserve
	17536		General Reserve includes an adjustment of $116,552.43 on a war contract, balance of this general reserve being made up of two or three small reserves
	17538		Special Reserve existed from 1927 - 1930. Also reserve for depreciation on investments this existed from 1930 onwards; Reserve for exchange on sales; Halifax fire loss reserve; Reserve for selling expense and reserve for interest
	17538		Explanation by Mr. Classco as to manner in which Raw Cotton Reserve was adjusted
	17540 17562 17804 17826	18905	One million dollars was transferred from Surplus Account to Investment reserve to make up loss that had been made on investments
	17540 17804	18905	Company's profits in 1933 $725,589 instead of loss of $614,683.36 as shown on page 2 of Ex. 1232. Loss being due to transfer of $1,000,000 to Investment Reserve
	17700		Heward contends that there is an increased value between 1905 and 1936 and therefore no secret reserve of $17,265,728.17
	17775		Heward says that values in plant are not the result of hidden profits, but of natural increase in values of machinery and buildings.

17807	Heward says the term "inventory"reserve" used by Commission Counsel is a misnomer
17808	Company values its inventory at market value or cost, whichever is lower
17810	Heward says their inventory values are in some cases below cost or market value
17813	Balance sheet has an inventory reserve not disclosed of $1,000,000. Heward says this cannot be called inventory reserve and that it is justifiable valuation of the inventory
17813	Heward says this does not make any difference in the profits over a term of years
17815	Heward submits that if the amounts described as inventory reserves by Commission Auditor were to be included it would have not material effect on the percentage of earnings as shown in Ex. 1232, because if they are included in the Company's profit the additional equity represented by the balance of the reserve at the end of each year must be added to the invested capital. Such adjustments would amount to considerably less than one-half of 1% in the figures shown by Glassco
17825	Between 1930 and 1934 the Company's surplus account was reduced by over two million dollars
17826	$1,000,000 which was taken out of surplus account to cover loss on investments is included in this $2,000,000
17829 17834	Heward says that attempts to show that the Company had any hidden earnings as a result of over-depreciation and charges to governments have failed and that profits shown are the real profits, and, therefore, the earnings in relation to Company's invested capital have been remarkably low and inadequately in view of the risks involved
18117	On account of diminishment of pool in 1931 1932 and 1933 it was necessary to draw upon

18117 surplus of the Company, aside from the $1,000,000 which was taken to cover investments

17670 Mr. McRuer says there was $14,000,000 or $15,000,000 of a secret reserve of profit

17774 Heward says page 8 of Exhibit 917 is where Mr. McRuer gets at the figure which he alleges is secret profits resulting from depreciation

LABOUR CONDITIONS

PAGE IN BRIEF	HOWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
1	17888		Howard says amalgamations and mergers do not necessarily mean that there are now less people employed because plants have been enlarged and extended. History of Company shows there has been a general trend of increase in number of its employees
	17893		Rayon Division resumed operations on a part time basis. Prior to closing it had been operating on 48-hour week
	17944 17948		Obligation of a tariff protected industry to keep employees working
	17948 17949		No compensation was given to employees for losses they suffered in 11-day shutdown
	17948		If Company could not manufacture goods at a profit, employees would have lost their employment anyway
	17962		United States manufacturers are in a position to set their own standards of wages and hours but Canadian manufacturers are not
	17993		In Budget Speech of February 25, 1937, Minister of Finance, in discussing unemployment said: " The real solution must come and is coming through the expansion of private enterprise based on conditions fabourable to the more extensive development of our primary and other industries
	18038		Number of hours worked in 1931, 1932 and 1933 in relation to 1927
	18045 18056-7		Ballantyne discusses what is likely to be the probable future of the textile worker
	18046		Rent

	18046 18054 18116	Trend since 1912 is towards a shorter working week and higher wages
	18055	Number of employees increased from 4750 in 1912 to 5900 in 1936
	18056	Ballantyne says that as a result of the policies employed by the Company the employee has shared equally with the employer in the benefits
	18056	Despite a shorter working week the worker of today is earning 65% more per week and has 32½% more purchasing power than in 1920 and this increase has taken place without it being necessary to increase cost of production of goods produced
	18057	Prospects for textile workers are higher wages and shorter hours
	18057	Ballantyne says Company has provided at its own cost pension scheme, group life insurance, accident & sickness insurance, etc.
	18057	Ballantyne thinks voluntary development of better working conditions and services rendered to the employee is bound to increase in future
33	18059	Company was able to provide continuous employment during the depression
33	18059	Average real wage per employee hour rose in proportion as the productivity of the worker increased labour thereby sharing in the increased production of wealth
34	18062	Ballantyne deals with labour conditions work loads and wages of Dominion Textile Co.
36	18065	Number of mill workers employed between 1930 and 1935
36	18065	Number of employees on payroll and number of employees required if each worked upon a full time basis from 1912 to 1936

36-7	18066	Population of mill towns outside of Montreal
41	18083	Establishment of basic wage and standard week adopted from English practice
42	18085	In all cases rates of wages are based upon a 55-hour week
48	18103	Labour policies
48	18104	Number of female workers in textile industry in Quebec, 1936
49	18105	Wage classifications of female workers at Sherbrooke based on standard week of 55 hours
50	18108	Work load and labour conditions
50	18108	Loper says work required of Canadian textile operatives is somewhat less than would be considered good practice in the United States (Ev. p. 1794)
50	18109	Loper found general working conditions at Sherbrooke better than the average and considers them good (Ev. p. 1795)
50	18109	Fessenden's analysis of female weavers and spinners at Merchants Branch of Dominion Textile Co. (Ex. 1209)
51	18110	Since 1921 amount of work required of a weaver has decreased due to improvement in machinery (Ex. 1209 p. 25)
51	18111	Fessenden says little with regard to working conditions except that which is found at page 21 of his report (Ex.1209)
51	18112	Air-conditioning equipment has been installed by the Company at Merchants Branch, Montmorency and Valleyfield
	18113	Air-conditioning equipment is described by Gordon
52	18114	Pensions and Group Life Insurance (Ex. 35)

	18115		Gordon says about $10,000,a year, out of $73,000 is being paid in pensions out to retired salaries staff, the balance going to wage earners
	18121		In spite of wage decrease in 1933, the workers actually earned practically as much that year as they had earned during the previous year, but they had to work longer hours to do it
	18122		Increased hours of labour was possible because the Company was able to sell its goods at a lower price - Had it not been possible to reduce prices there might not have have been as much work available for the workers at the old rates
60	18138		Ballantyne submits that evidence given in Ottawa by five employees of Cotton Division at Sherbrooke and six employees from Hochelaga Mill faisl to substantiate complaints made by Albert Cote, President of the Federation Catholique Nationale du Textile (Ev. p. 11528 and 13456)
	18141		Adoption of 40-hour week by Collins & Aikman
55	18124	14390 (E.B.)	Evidence of Mill Employees
55	18124		Number of employees of Company who appeared as witnesses
55	18125		Employees who were examined away from the town in which they worked either had no complaints to make or complaints which did not bear up under corss-examination (Evid. p. 1665 to 1696)
55	18125		Evidence of Rose Provencher was not correct (Ev. p. 4509)
56	18126		Two witnesses (Lamontagne and Riel) stated that with an increased number of new machines the work was easier than it had been with fewer machines and was not too hard (Ev. p. 1668 to 1672)

	18127	General nature of complaints at Sherbrooke was - (1) That number of machines had been increased without a corresponding increase in pay (2) That the job assignment was too heavy (3) That in some cases operatives were obliged to work before seven in the morning and to do overtime.
	18127	The change in machinery at Sherbrooke commenced after Dominion Textile took over plant from Canadian Connecticut Cottons (Ev. p. 4623)
56	18128	Work load are not excessive-Ballantyne thinks if too much were asked of an operative, it would be found out and corrected
	18129	Ballantyne does not think workers at Sherbrooke were overloaded although workers had not time for supper and had to eat while working
57	18129	Superintendent of Cotton Department at Sherbrooke says there is no overtime work less it is necessary (Ev. p. 2-4626)
57	18130	Overtime work generally commences at 6.30 and continues until 10 p.m. - Superintendent recalls only twice in nine years when women employees were required to do overtime work, both being about 1930.
57	18131	Workers at Montmorency complained : (1) As to sanitary arrangements. (2) As to drinking water (3) As to ignorance of basis of pay. (4) As to lack of provision for cloaks and dining rooms
58	18131	Five witnesses stated that sanitary arrangements were bad; four witnesses said they were good (Evi. p. 4685 & 4687)
	18132	Ballantyne says complaints have to be met regardless of the number of workers who make them

56	18132	Complaints as to drinking water
	18136	Although dining room and cafeteria are operated at a very low charge, the largest number using it has only been 50. Employees apparently do not want to use it
	18137	No special rooms have been set aside as cloak rooms, and clothes are hung upon pegs on the wall (Ev. p. 2573)

MACHINERY

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	SUBJECT
	17710 17724		Cost of machinery 10% higher in 1935 than in 1922
	17711		Heward says natural values of the machinery in 1920 according to their books are still there and are not hiding profits by reason of depreciation
	17746	18922	Variation shown by these three sources in replacement values of machinery
	17788		Verdun plant purchased from Government and new machinery put in in 1920
	17925		Heward does not think Gordon discussed with the Government the fact that Magog mill could not keep up with finishing Sherbrooke goods, etc.
	17965 17970		Mechanization in United States and Canada about equal
	18082		Automatic machinery was installed from 1920 to 1923
51	18110		Since 1921 amount of work required of a weaver has decreased due to improvement in machinery (Ex. 1209 p. 25)
52	18112		Air-conditioning equipment has been installed by Company at Merchants Branch, Montmorency and Valleyfield
	18113		Air-conditioning equipment is described by Gordon
	18127		The change in machinery at Sherbrooke commenced after Dominion Textile took over plant from Canadian Connecticut Cottons (Ev. p. 4623)

MISCELLANEOUS

PAGE IN INDEX	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
13	17566	14298	Bluefield Water Works and Improvement Co. vs Public Service Commission of the State of West Virginia
14	17574		State of Missouri ex rel Southwestern Bell Telephone vs Public Service Commission of Missouri
15	17575		McCardle et al vs Indianapolis Water Co.
16	17578		City of Toronto and Toronto Ry. Co.
16	17579 17585		Canada Southern Ry. Co. and International Bridge Co.
17	17585		Ex. p. Moncton T.E. & G. Co. Ltd
17	17586		Wester Tolls, 19 Canadian Ry. Cases
18	17596		Heward submits additional factories should be established to give greater employment
	17599	15901	Heward says that to keep existing companies healthy and efficient there must be threat of new companies entering the field
	17600		Founders of Dominion Textile Co. thought field was over-occupied when they took over four old companies, but production was not reduced
	17603		One of the services rendered by textile industry in return for tariff protection is the giving of employment under fit conditions and proper wages
	17604		List of 507 companies from whom Dominion Textile Co. buys supplies
	17605	14298	Heward says distinction made by Mr. McRuer between a public utility and a protected industry is not sound because both have privelegess given them in consideration of services rendered
20	17637		Heward assumes that encouraging of new ventures in industry is desirable

	17661		Inception of undertaking was 1874
27	17697		Between 1915 and 1920 average cost of building and equipping a cotton mill increased from $37.28 to $73.02 per spindle
	17701		Cost of erecting and quipping a cotton mill as set out in letter from "Textile World" to Whiteley, Dec. 2, 1936
	17706		Cost of equipping a cotton mill as set out in letter from Ralph E. Loper Co. to G. B. Gordon, January 28, 1937
	17708		Table showingestimated cost per spindle of equipping a cotton mill
	17720 17722		Cost of erecting and equipping a cotton mill as submitted by J.E. Sirrine & Co.
	17745	18925	Heward says Company's cost values to 1290 can reasonably be taken on a pre-war basis because during the war it was very difficult to obtain new machinery
	17745	18933	Estimates of cost submitted by Textile World, Loper and Sirrine & Co. show in 1920 a much larger increase over pre-war costs than was shown by appraisal of 1920
	17746	18922	Variation shown by these three sources in replacement values of machinery
	17750		Heward submits that information obtained from Textile Work, Loper and Sirrine & Co. indicates that there has been no over-depreciation
	17750		Difference of $4,000,000 between present book value and 1936 insurance appraisal might be accounted for by the extra values quoted by these three informants
	17762		During war there was no increase in size of mills
	17847		No evidence that prices went either up or down after the merger

17908 Chart prepared by Mr. Gordon showing what happened to prices in relation to the prices of raw cotton, 1904 to 1907

68 17918 Howard says it is important to bear in mind that between Sherbrooke and Magog there was a considerable time lag and goods being manufactured in the greige at Sherbrooke might not reach the market for five or six months

17925 Howard does not think Gordon discussed with the Government the fact that Magog mill could not keep up with finishing Sherbrooke goods, etc.

17944
17948 Obligation of a tariff protected industry to keep employees working

17946
17948 Howard does not consider that any tariff protected industry can be expected to keep on indefinitely manufacturing goods which they think cannot be sold

17949
17950 Howard says it is less expensive for a manufacturer to keep operating than to close down if goods can eventually be sold. If there is possibility of not being able to sell goods at a reasonable price theremedy would be cessation of operations and not curtailment

17960 Standard of living in United States higher wages and shorter hours now being advocated and put into effect in The United States.

17961 114,000,000 yards of cotton goods imported into the United States in 1936 while imports into Canada were 97,000,000 yards

17962 77,000,000 square yars of cotten goods imported into United States in 1936 came from Japan. In 1935 Japan supplied 36,000,000 square yards of total imports of 63,000,000 square yards

17962 United States manufacturers are in a position to set their own standards of wages and hours but Canadian manufacturers are not

17963	Exports of cotton goods from United States in 1935 amounted to 186,000,000 square yards
17964 17965 17966 18022	United States in spite of higher wages and standard of living is able to occupy first place among exporting nations due to conditions being favourable to high efficiency on account of volume of production
17965	Textile exports from United States are very small in comparison with sales in their own market
17966	United States imports are just over 1% of its consumption, but in Canada, 25%
17967	Charts showing duties on imports into the United States of grey cotton, coloured and bleached cotton cloths (Ex. 1360)
17969	Howard says a very slight increase in the cost of producing cotton goods in Canada occasioned by higher wages and shorter hours of labour in advance of technological changes would only result in Canadian mills losing more of the domestic market to exporters
17971	Charts showing relation between volume of production, cost of production and profit per pound of production in Dominion Textile Company over last twenty years (Ex. 1361)
17976	Wages are included in total cost of production but are not shown separately on charts
17978	Line "C" on Chart CG-1 indicates that 1919, 1921 and 1927 were the more profitable years in the Company's history since 1916 while the poorer years were 1924, 1930, 1933 and 1935
17979	Profitable years cannot be judged altogether from charts because it only shows manufacturing angle and would not take into account a big rise in value of raw cotton

17980 Gordon says really profitable years were 1918, 1919, to some extent 1920

17981 1919 was most profitable year between 1916 and 1937 and 1921 came next

17983 Line "E" on chart CG-2 represents the average cost per unit of production to the consumer (customer)

17984 After charging full depreciation in 1934, for the first time since 1930, the manufacturing profit per pound was very moderate, but combined with a high production it resulted in the best indicated profit since 1928

17985 Unit profit is so low that it requires a great deal of volume to make a profit

179[illegible] Advertisement from Fraser's Directory showing materials made by Dominion Textiles for other companies (Ex. 1362)

17992 Amounts expended by Company in 1936 for supplies, freight, express & taxes

17993 In Budget speech of February 25, 1937 Minister of Finance in discussing unemployment said "The real solution must come and is coming through the expansion of private enterprise based on coditions favourable to the more extensive development of our primary and other industries".

18001 Retailer expects and receives a higher mark-up on imported goods than on domestic goods

18019 If there was no textile industry in Canada the 63,000 people now engaged inthis industry could no longer look to the textile industry for the wages that gives them the urchasing power to buy anything

18020 If textile industry is destroyed we must contemplate the creation of new industries or the expansion of existing industries to take its place

	18026		Extinction of the cotton textile industry in Canada would have little effect so far as reduction of costs in other industries was concerned
	18029		Ballantyne hopes that final report will provide Company and the public with information which will show the importance and utility of the industry to the country
	18035		Management costs not included in schedule but is dealt with separately
	18055		Between 1914 and 1920 the management gave the worker better tools to work with and he was able to produce more and earn more
33	18059	15059 (S.B.)	High level of efficiency was constantly maintained by introducing the most modern methods of machinery, thereby increasing productivity and the earnings of skilled labour
35	18065		List of plants operated by Dominion Textile Company
36-7	18066		Population of mill towns outside of Montreal
38	18070		Company has been and is being prudently and economically managed and developed (Ev. p. 12846 and 12859f)
38	18070		Loper says mills are being efficiently run (Ev. p. 1801)
38	18070		Fessenden quotes an American textile expert's opinion as to Canadian manufacturers producing at lower cost by means of up to date equipment
	18071		Ballantyne says the efficiency of the Company has been pretty well recognized as shown by the evidence
	18076		Continued existence and growth of Company is entirely due to its being one of the best managed companies in Canada.

PRODUCTION

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
	17600		Founders of Dominion Textile Co. thought field was over-occupied when they took over four old companies, but production was not reduced
	18053		85% of operations of Company are confined to grey mills
	18054		Employer has been able to increase the employees' productivity so that despite increased wages, production has also been increased proportionately
	18054		In terms of real wage costs per pound the employer has gained slightly since real wage rates were 51% higher in 1936 than in 1914, compared with a 53% increase in productivity of the worker per hour between the beginning and the end of the same period

CURTAILMENT OF PRODUCTION

PAGE IN BRIEF	HEWARD'S ARGUMENT	McGURK'S REBUTTAL	S U B J E C T
74	17931		Marx was the one who recommended curtailment
	17931		Associated Textile mill was closed on December 16, 1935 and reopened on January 18, 1936
74	17932		Marx told Broad Silk Group that curtailment of the mills would be a safeguard for them until they were able to prove to Government the risks of these importations from Japan
	17950		Curtailment was discussed with Daniels, but not decided upon

[illegible]

PAGE IN BRIEF	[illegible]	[illegible]	S U B J E C T
	17487		Dominion Cottons Mills Co. Ltd. Report to Shareholders, 1898 - Company became its own selling Agent (Ev.5735)
	17495		Annual Meeting, April 7, 1902. Disastrous year due to purchases of cotton at high prices. New management appointed. Selling given to outside firm (Ev. 5751)
	17833		Capital and sales of Company in 1935
	17835		Company would have to reduce its prices considerably before they would be reflected in price to consumer
	17[illegible]	14007	Sales dollar represents price at which goods are sold to wholesaler, retailer, cutter-up, etc.
	17900		Gordon stated he would re-open mill when he saw his way clear to making sales
	17901		Order situation improved when Sherbrooke mill was re-opened
69	17918 17926		Specified and bulk orders in January 1935 and 1936
69	17918		Explanation of "bulk orders"
69	17919		Orders for future delivery are in a vulnerable position in a falling market, but bulk orders are in a particularly vulnerable position as the customer by withholding specifications can make them almost impossible of fulfillment
48	18077 18103		Selling and administration costs in first 30 years of the Company's existence amounted to $10,500,000 during which time Company sold $460,000,000 worth of goods. Ratio of cost for selling and administration was 2.3%

17633	Sales of the Company in 1936 - $18,369,296.11
17926	Howard says total orders placed in January, 1938, were not up compared with January, 1936 (Ex. 435)

SHERBROOKE MILL CLOSURE

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
61	17894		Suspension of operations in Rayon Division at Sherbrooke
62	17895		One of reasons why plant was not re-opened before Jan 29th was on account of King's funeral on 28th
	17895		Rayon Division resumed operations on a part time basis. Prior to closing it had been operating on 48-hour week
	17897		Order to re-open plant was given four days before Commission was appointed
66	17899	13986	Decision to suspend operations at Sherbrooke was made solely by G.B. Gordon, the purpose of the suspension being to mark time until the situation in regard to Japanese competition should be clarified (Ev. p. 2152, 2186, 2188 and 6489)
	17900		Gordon stated he would re-open mill when he saw his way clear to making sales
	17901		Order situation improved when Sherbrooke mill re-opened
	17902	13986	Gordon denied that mill was closed in order to make a demonstration against the Government
75 77	17932 17933 17944	13985	While Dominion Textile shut-down was an indefinite shut-down it was for the purpose of marking time (Ev. p. 2151)
	17934		Situation improved sufficiently to enable Company to continue operations on a limited scale
78	17935		Letter from G.B. Gordon to Hector MacKinnon dated January 16, 1936 (Ex. 149) re tariff computation worked out by Mr. Gordon
79	17939 17944		Heward says that letter may not have been have been explicit enough about stock situationor order situation, but he does not

			think it was intended as a demonstration to the Government or to intimidate the Government
	17940		This letter to MacKinnon was Gordon's attempt to justify his action in closing
79	17940	13987	Gordon's attemp to justify his action in closing
79	17944		Gordon decided on shut-down purely from point of view of Company's manufacturing and selling operations
	17946		By not running off looms Gordon put himself in a position where he could carry on if his fears of Japanese competition proved groundless, but if his fears were not groundless he would have to stop anyway
	17948 17949		No compensation was given to employees for losses they suffered in 11-day shut-down
	17948		If Company could not manufacture goods at a profit, employees would have lost their employment anyway
	17949		Company assisted employees by supplying them with fuel from its yards and guaranteeing their accounts with the suppliers
	17949		Company received the full benefit of the shut-down
	17949 17950		Howard says it is less expensive for a manufacturer to keep operating than to close down if goods can eventually be sold; If there is possibility of not being able to sell goods at a reasonable price, the remedy would be cessation of operations and not curtailment
	17950		Curtailment was discussed with Daniels but not decided on
79	17950		Operations at Sherbrooke were resumed on January 29th, the day after the King's funeral

80	17950	Gordon's reasons for resuming opeations

T A R I F F

PAGE IN DAILY	HOWARD'S [illegible]	McRUER'S [illegible]	S U B J E C T
4	17432	14287 14842	Bearing of return on investment upon question of tariff protection
18	17589	18858 18861	Adequate tariff is one which enables manufacturers to compete on an equal footing and still make a reasonable profit; also encourage the establishment of new industries
18	17591	18893	Howard accepts responsibility for saying that tariff should be such that it would encourage new investment in Canada in the textile industry
18	17593	18860	Howard says all they are asking for is to be able to compete on equal footing with others
18	17594	18900 18847 18853	Howard contends that tariff protection is not only intended to ensure the survival of those now engaged in the industry, but to procure the establishment of new industries
18	17596		Howard submits additional factories should be stablished to give greater employment
	17598	18900	Considerable investment has been acquired and unless tariff protection is afforded the investment will be lost. One of the purposes of tariff is to encourage industry to expand and give more employment
	17599	18901	Howard says that to keep existing companies healthy and efficient there must be the threat of new companies entering the field
	17599		Howard admits that with a properly levelled tariff industry can be kept healthy by threat of outside competition and by threat of new industries coming in
	17603	18864	One of the services rendered by textile industries in return for tariff protection is the giving of employment under fit conditions and proper wages

	17605	18862	Heward says distinction made by Mr. McRuer between a public utility and a protected industry is not sound because both have privileges given them in consideration of services rendered
18	17606		Earnings should be commensurate with risk entailed incompetitive industry ; there should be stability in tariff protection
18	17606	18855	Manufacturing industry should receive a higher return than a public utility on account of greater risks it runs
19	17610		Value of what it would cost for additional plant for proper expansion is an important element, assuming that it is the desired policy of the country to protect the industry
	17624		Heward says that Mr. McRuer's theory that it is improper for industrialists who have received special privileges from theGovernment to make large profits at expense of consumers is unsound
	17625		Mr. McRuer says if an industry asks for something from Government, then the Government has something to say about quantum of privileges that they give them. If industr y asks no special privileges, it is entitled to any profit it can make
	17627		Commissioner says if any industry is protected it would be a misuse for its protection if it unduly enhanced the price of its product
	17629		Protected industry, if receiving a smaller return than industry generally would not be so attractive for investment of new capital
	17630		Mr. McRuer says these earnings are more than a reasonable return under the tariff protection they have. Heward submits his figures are reasonable and that it is the value lying behind the investment that counts - not how much stock is outstanding

	17631	18904	Howard does not admit that he should take into consideration how the value of the investment was built up under a customs tariff
	17631		If an industry under protection granted earns more than a fair return, additional capital would be attracted and competition thereby intensified
	17635		Howard thinks Government would object if part of earnings was not put back into a protected industry
	17646		Howard says return on investment taken on investment and cost and on value of investment has been most reasonable, and that these earnings indicate that existing tariff protection is not sufficient to ensure a reasonable return
	17647	18862	Howard says he will deal later with what tariff should be
22	17649		In view of good management Howard thinks they are justified in looking at returns on investment in relation to question of tariff protection as a guide to it. (Ex. 1232)
24	17656		If it is attempted to use alleged earnings on common stock or on a portion thereof, or alleged profits made by common stockholders, companies engaged in the industry would have to be classified according to various types of capital structure and a separate tariff devised for each one. Howard says this is fallacious
	17675		Howard submits that even if premises on which the computation is based were not fallacious the computation would in no way support Mr. McRuer's contention that protective tariffs should be reduced
	17680		Howard says all their monies come from the consumer; and all taxes form part of the selling price of the goods

	17880		Company paid $819,541 in taxes to various Governments all of which came from the consumer
	17881 & 17882		Howard says if Company had not had to pay these taxes it might have been able to reduce selling price
	17882		Both consumers and shareholders suffered on account of these taxes
	17883		If tax is added to sales price of goods Company tries to get it out of the goods
64	17898		Value of Japanese yen
71	17914		Howard thinks main object of Ottawa meeting on January 14th was to discuss tariff situation
74	17930		At meeting with Ministers on January 14th, no definite reassurances or definite hopes of any remedy were held out to the delegation
76	17936		Letter from G. B. Gordon to Hector MacKinnon dated January 16, 1936, (Ex. 149) re tariff computation worked out by Mr. Gordon
	17944 & 17945		Obligation of a tariff protected industry to keep employees working
	17946 17948		Howard does not consider that any tariff protected industry can be expected to keep on indefinitely manufacturing goods which they think cannot be sold
	17957		Howard says wording of Sub-section 2 of Section 38 of Customs Tariff Act clearly signifies an intention that other countries with depreciated currencies and unknown costs of production should not benefit at expense of the United Kingdom
	17956	18095	Howard says Sub-section 2 of Section 38 does not empower customs authorities to value goods for special (dumping) duty
	17967		Charts showing duties on imports into the United States of grey cotton, coloured and bleached cotton cloths (Ex. 1360)

17987		Heward's submission as to why cotton should continue to receive tariff protection
17996		Although many cloths are made to particular specifications, mills could not economically and successfully operate on that type of business alone and must be supplemented by other types of goods which Dominion Textile could not manufacture and sell at the same prices as similar goods could be landed in Canada if there was no protection
17998	18977	Cost of goods to the consumer if there were no duties or only very low duties on imported goods
17999 & 18001		If 50% of business being obtained under protective tariff was lost manufacturing costs and selling prices would be higher than under existing conditions
18001		Retailer expects and received a higher mark-up on imported goods than on domestic goods
18002		For the consumer to benefit from a lower tariff there would have to be a condition where the textile industry no longer exists in Canada
18010 & 18013		Heward says that assuming that no tariff or low tariffs would result in lower prices to the consumer, the industry in Canada could not survive
18014	18976 18860 18862	Heward says present protection is not enough and they could not survive on anything less
18016		Revenue country received from sales and excise tax on goods other than raw materials purchased by Company in fiscal year ending March 31, 1936, amounted to $144,[illegible]4.68
18017		Excise tax on finished textiles coming in to replace Canadian goods would only o offset excise tax on present imports of raw materials

18017 If the Canadian company operates at a profit it splits that profit with the Government but the foreign manufacturer could not be called upon to do likewise

18017 If there were no duties, the only offset to the loss of the industry would be a problematical lower level of prices to the consumer

18018 It is doubtful if on the average the tariff today is taking as much as 10¢ of the consumers' dollar for cotton goods

18019 If there was no textile industry in Canada, the 63,000 people now engaged in this industry could no longer look to the textile industr for the wages that gives them them the purchasing power to buy anything

18020 If textile industry is destroyed we must contemplate the creation of new industries or the expansion of existing industries to take its place

18026 Extinction of the cotton textile industry in Canada would have little effect so far far as reduction of costs in other industries was concerned

18026 To be really logical, Heward says, we must be prepared in the interests of increased exports of natural products to sa sacrifice not only the textile industry but all oter industries in Canada which cannot produce goods as cheaply as they can be brought in under free trade conditions from other countries

18027 Duty paid on importations of textiles in 1930 was $30,000,000, the highest since 1920, when it was $42,500,000. In 1936, it had fallen to $11,890,000. Lowest year was 1933, $11,134,000. For nine months of 1936037, fiscal year it has amounted to $9,986,000

34	18601	15066 (E.B.)	The purpose of a tariff is to provide additional employment at a scale of wages in accordance with the levl of economic devel opment in the country, as well as to round out is industrial activity
34	18601	15066 (E.B.)	If the imposition of a tariff was for the purpose of raising the wage level above the average in similar or other industries then such tariff would not be necessary

WAGES and SALARIES

PAGE IN BRIEF	HEWARD'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
	17827		10% wage reduction in 1934
	18827		5% wage reduction restored
	17828		Heward submits if it had not been for revenues from outside investments it would have been necessary to make further reductions in wages and earlier and possibly more drastic reductions in dividends to shareholders
	17948 17949		No compensation was given to employees for losses they suffered in 11-day shut-down
	17976		Wages are included in total cost of production but are not shown separately on charts
	18030		Outline of main factors which determine the amount of wages which Company can pay and does pay and the manner in which the wages are paid
	18031		Schedule showin difference between income and fixed expenditures and the resulting amount of money or pool which was available between 1927 and 1936 to reward capital and wages (Ex. 1363)
	18036		Schedule shows point beyond which Company could not go in remunerating labour and capital without using up part of its accumulated capital
	18036		In 1927 pool was over $7,250,000
	18037		Second schedule shows how pool was divided between labour and capital (Ex. 1363)
	18037		Third schedule shows respective investment of labour and capital for ten year period and the return of each in relation to 1927.

	18038	Schedule 2 shows that labour got 65% of the pool while capital received 35%
	18038	After 1930 as pool became smaller so did labour 's share in absolute amount but not in proportion to capital's share due to labour's investment of man hours being less in 1931, 1932 and 1933
	18039	Reduction in wages rates in 1933 which averaged 11.4% reduced labour's return on its work in 1934. Upward revision of wages in 1934 and 1936 restored labour's rate of return per man hour to old levels existing prior to 1933
	18040	Shhedule 3 shows that by 1933, for every 100 man hours worked in 1927 there were only 70 man hours worked in 1933, whereas for every $100 earned in 1927, there was still $83 being earned in 1933
	18041	For every $100 invested in the business in 1927 there was $108 invested in 1933, but for every $100 which capital got out of the pool in 1927 it got only $26 in 1933. In 1936 labour got $99 and capital $47
	18041	Ballantyne submits that these statements show, first, the limits within which a company must operate when it rewards labour and capital; second, the manner in which the policies of the Company have operated in the division which was made between the funds available each year as between capital and labour; and third, during the ten years the share of labour in the pool has been increased relatively to capital
	18042	How labour's share of the pool is divided ~~and~~ among the various classes of labour and among different workers themselves
41	18043 18060	Company cannot obtain and employ a particular type of worker unless it is prepared to pay that worker at least the price he could get in some other occupation

	18043 18080	During 1931 and 1932 Company paid loom fixers 48¢ an hour and in 1933 after reduction of wages, 42.8¢
	18044	Workers are paid according to the market value, the difficulty of the job and the productivity of the worker
	18045 18056-7	Ballantyne discusses what is likely to be the probable future of the textile worker
	18054	Employer has been able to increase the employees' productivity so that despite increased wages, production has also been increased proportionately
	18054	In terms of real wage costs per pound the employer has gained slightly since real wage rates were 51% higher in 1936 than in 1914, compared with a 53% increase in productivity of the worker per hour between the beginning and end of the same period
	18055	Between 1914 and 1920 the management gave the worker better tools to work with and he was able to produce more and earn more
	18056	Ballantyne says that as a result of the policies employed by the Company the employee has shared equally with the employer in the benefits
	18056	Despite a shorter working week the worker of today is earning 65% more per week and has 32½% more purchasing power than in 1920 and this increase has taken place without it being necessary to increase cost of production of goods produced
	18057	Prospects for textile workers are higher wages and shorter hours
33	18059	Ballantyne submits that during the period of business depression marked by declining earnings, some downward adjustment of wage costs was essential

33	18059	18059 (E.B.)	High level of efficiency was constantly maintained by introducing the most modern methods of machinery, thereby increasing productivity and the earnings of skilled labour
33	18059		Average real wage per employee hour rose in proportion as the productivity and the earnings of skilled labour
33	18059		Average real wage per employee hour rose in proportion as the productivity of the worker increased, labour thereby sharing in the increased production of wealth
33	18060	15065 (E.B.)	Ballantyne says that the fact that an industry is granted tariff protection is not a reason for which employees in that industry should be paid upon a higher level than other comparable groups
34	18061	15065 (E.B.)	The purpose of a tariff is to provide additional employment at a scale of wages in accordance with the level of economic development in the country as well as to round out its industrial activity
34	18061	15066 (E.B.)	If the imposition of a tariff was for the purpose of raising the wage level above the average in similar or other industries then such tariff would not be necessary
34	18062		Ballantyne deals with labour conditions, work loads and wages of Dominion Textile Co.
38	18071		Average real wage per employee hour rose in proportion as the productivity of the worker increased, labour thereby sharing in the increased production of wealth
38	18072		Quotations from Fessenden's report re wages paid in grey mills of Dominion Textile Col (Ex. 1209 p. 16, 17 and 18)
39	18073		According to Fessenden's report in 1919 wage increases caught up with the rising cost of living and real wages began to shoot up

40	18074		Ballantyne thinks Fessenden means that people who have followed these wate rates are surprised to find that the actual real wage that has been paid is going up
40	18075 18103		Only 2.92% of total sum paid out in salaries and wages from 1930 to 1936 went to head office executives (Ex. 519)
40 48	18076 18076		Ratio of executive salareis to net sales, 1934, 1935, and 1936 (Ex. 517 and 519)
	18078		Average salaries paid to executives in 1934, 1935 and 1936
	18079		President's salary of $21,500 is highest salary being paid at present time
	18079		Ballantyne says salaries paid to Dominion Textile executives would be considered small in other industries
41	41 18091	15046 (E.B.)	18081 On basis of what worker could have earned in another kindred occupation, Company could have reduced wages three years before it did, and could have reduced them to a much greater extent
41	18081		Methods employed in fixing wage rates
41	18083		Establishment of basic wage and standard week adopted from English practice
42	18085		Rates of wages paid (Ev. p. 4500 to 4506; 4725 to 4729; Ex. 265,268, 273,375)
42	18085		In all cases rates of wages are based upon a 55-hour week
44	18088		Statements prepared by Secretary of Commission showing wages paid in all mills of Company (Ex. 1247, 1248, 1249 and 1252)
45	18089		Exhibit 1288 shows classification as to weekly earnings in artificial silk and cotton yarn and cloth industries
45	18090		How wages are recorded

	18093 18095	Rates per unit of production and rates per unit of piece work-production are now posted in the mills, but not the hourly rates
	18094	Gordon says it would be impossible to put all details of piece-work earnings on pay envelopes
	18095	Gordon says worker can find out how much an hour or piece he is getting
	18096	Employees do not want each other to know their hourly rates
	18097 18102	Ballantyne agrees that employees are entitled to find out for himself basis on which they are being paid
	18100	All witnesses examined at Quebec swore they did not know how they were being paid
	18101	Ballantyne says Company made no attempts to keep it wage rates secret from its employees
47	18102	Relationship of wages to (a) Cost of production, and (b) Total salaries and wages
47	18102	Mill wages form second largest item of production cost
47	18102	Exhibit 1230 (distribution of sales collar 1927-1936) shows importance of mill wages as an element of the sales dollar
48	18103	Exhibit 519 shows relationship of mill wages to total salaries and wages paid for seven years ended March 31, 1936
48	18103	Minimum Wage Laws in Quebed for Women (Evid. Gustave Francq, p. 10792 to 10754)
48	18104	Rates established for textile industry in Quebec
49	18104	For 1935 for industries reported, average wages for women textile workers were sixth highest in Montreal and Outside Montreal they were second highest in the Province

49	18014	Dominion Textile not only complied with minimum wage laws, but wages paid to female workers were considerably in excess of legal minima
49	18105	Wage Classifications of female workers at Sherbrooke based on standard week of 55 hours
49	18107	Exhibit 274 shows that a large percentage of female employees are earning at rates considerably in excess of established minimum rates
49	18107	Highest group rate fixed by Minimum Wage Board is 25¢ whereas the average rate paid for three groups in city mills was 22.51¢
49	18107	Average rate fixed by Minimum Wage Board for groups outside Montreal is 19.10¢ whereas average paid by Dominion Textile was 22.91¢
52	18116	Trend of wages since 1930
53	18118	Reductions of salaries and wages during depression years
53	1811 9-A	While total salaries declines 12.04% in 1933, mill wages (on a full time basis) increased 2.66% over same period
54	18120	First important reduction in salaries was made in 1931-32;head office executive sa salaries by 9.21%, other salaries by 6.36%
54	18120	Total mill wages paid over past 7 years have averaged 86.26% of Company's total disbursements for salaries and wages, the balance of 13.74% being head office executive, administration and selling & mill salaries
54	18121	Only by reducing mill wages could any real saving be made with the item of salaries and wages

54	18121		Reduction in mill wages was not made before Company had completed three successive years of relatively poor business and had already taken drastic steps in the reduction of salaries and dividends
	18121		In spite of wage decrease in 1933, the workers actually earned practically as much that year as they had earned during previous year, but had to work longer hours to do it
	18122		Increased hours of labour was possible because the Company was able to sell its goods at a lower price - Had it not been possible to reduce prices there might not have been as much work available for the workers at the old rates
	18122	15067 (E.B.)	If Company had known that 1934 was going to turn out much better than 1933, it probably would not have reduced wages
55	18123		Company has increased wages since the cessation of hearings by the Commission Increase effective December 7, 1936, and restores wages to level existing prior to April 10, 1933
55	18124	14990 (E.B.)	Evidence of Mill Employees
55	18125		Evidence of Rose Provencher was not correct (Evid. p. 4309)
	18127		General nature of complaints at Sherbrooke was - (1) That number of machines had been increased without a corresponding increase in pay (2) That the job assignment was too heavy (3) That in some cases operatives were obliged to work before 7 in the morning and to do overtime
57	18130		Five witnesses whose pay envelopes indicated low earnings for fortnightly periods had only worked part time

57	18130	Eight witnesses knew the basis of their pay
58	18133	Complaints as to ignorance of basis of pay
59	18134	Louis Boutet, foremanof the Spinning Dept. said rates per unit of production were given to any employees who demanded them and that spinners knew amount paid per hank (Ev.2730)
	18134	Ballantyne says Butterworth, overseer of Bag and Cloth Room went to Superintendent and got the girls in his Department a n increase in pay (Ev. p. 2418)
59	18134	Boucher and Tremblay, foremen of Card room and Thread Finishing Dept. respectively, stated that all ratesof pay were available in their offices to the workers (Ev. p. 3302 3394 and 3395)
59	18135	Chamberland, overseer of weaving Dept. stated that amount of production and style per machine is posted and employees may obtain rate per unit upon request. (Ev. p. 3444 and 3445)

DEPRECIATION

PAGE IN BRIEF	PAGE IN ARGUMENT	SUBJECT
	18915	Extensive overhauling of machinery is depreciation
	18941	Ex. 329 states that Company took more than sufficient depreciation to take care of actual wear and tear and to cover capital losses amounting to $540,000 up to 1924
	18943	Howard says depreciation should be written on cost
	18943	Table showing summary of charges for depreciation, etc., and average annual charges for depreciation, etc. (Ex. 1372)
	18944	Estimated and normal life of mill equipment
	18945	When equipment is placed in a new mill or replaced it is a capital charge but if this equipment is charged to profits the mill is kept up to date out of profits and not out of depreciation. If depreciation is taken on capital machinery at the same time, this makes a double charge
	18930	Comparison of American and Canadian prices indices since 1920 (Ex. 1371)

DOMINION COTTON MILLS

PAGE IN BRIEF	PAGE IN ARGUMENT	S U B J E C T
	16826	Dominion Cotton Mills et al v George Ayot
	16827	Judgment of the Judicial Committee on Dominion Cotton Mills
	16830	Shares of Dominion Cotton Mills fell to 26¢ in 1901
	16836	Evidence of Sir Herbert Holt

FINANCIAL and OPERATING

PAGE IN BRIEF	PAGE IN ARGUMENT	
	18784	Mr. McRuer and Mr. Howard agree that the only scientific method of considering the business and financial affairs is to disregard temporary bank loans, but if a large amount of permanent capital is borrowed from the bank it should be taken in as capital
	18790	Mr. McRuer conflicts with Dominion Textile Company on question of principle in connection with depreciation and appraisals
	18802	Howard agrees with Mr. McRuer's basis of studying the record of earnings of the various textile companies, i.e., the percentage of revenue on capital employed in the industry, and net profit on sales

JAPANESE COMPETITION

PAGE IN BRIEF	PAGE IN DOCUMENT	S U B J E C T
	18947	Textile industry in Canada has not been imperilled by the sale of Japanese textiles in the Canadian market, and the competition has been inconsequential
	18953	Total imports from Japan, 1934, 1935, 1936. (Ex. 667)
	18954	Total exports to Japan, 1934, 1935, 1936 (Ex. 667)
	18955 18957	Volume of imports of artificial silk from Japan in 1936 amounted to $193,000 out of total imports of $4,296,000
	18955 18958	To have acceded to demands of textile industry in January, 1936, to exclude Japanese textiles would have been detrimental to Canada in view of Japan's purchases from Canada being 4½ times her sales to Canada

MACHINERY

PAGE IN BRIEF	PAGE IN ARGUMENT	S U B J E C T
	19944	Estimated and normal life of mill equipment
	19945	When equipment is placed in a new mill or replaced it is a capital charge but if this equipment is charged to profits the mill is kept up to date, out of profits, and not out of depreciation. If depreciation is taken on capital machinery at the same time, this makes a double charge

MISCELLANEOUS

PAGE IN BRIEF	PAGE IN EVIDENCE	S U B J E C T
	18894	There is nothing particular about the textile industry that is indigenous to Canada
	18846 18911	Regular auditors should have been used instead of Glassco
	18930	Comparison of American and Canadian price indices since 1920 (Ex. 1371)

SALES AND SHIPMENTS

PAGE IN BRIEF	PAGE IN ARGUMENT	S U B J E C T
	18958	Shipments by Dominion Textile Company and others during 1934, 1935 and 1936 (Ex. 1373)

T A R I F F

PAGE IN BRIEF	PAGE IN ARGUMENT	S U B J E C T
	16998	Mr. [illegible] in referring to Heward's suggested amendment to Section 35 of the Customs Act states he is looking at it from the point of view of expansion of trade rather than for the further protection of the industry.